



SUSTAINABILITY REPORT 2021

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The Environmental, Social and Governance (ESG) Index indicates compliance with the sustainability commitments made by ŽALVARIS under the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs), and the aligned KPIs (ESG G1–10, E1–10, S1–10) of the international NASDAQ ESG Reporting Guide 2.0.

**
ESG E6 'Water Usage' is not reported because water is not used in production.

ESG G8–10 'ESG Reporting, Disclosure Practices, and External Assurance' are not reported, as this is the first Sustainability Report of ŽALVARIS.

ESG S9 'Child and Forced Labour' is not reported as it is not relevant to the activities of ŽALVARIS.

SYNERGIES BETWEEN OUR BUSINESS AND SUSTAINABILITY

CEO'S FOREWORD



'Businesses without a functioning sustainability strategy are likely to become impossible in the future.'

Vitoldas Sapožnikovas
CEO of ŽALVARIS

I am pleased to present the first Sustainability Report of ŽALVARIS for 2021. The Sustainability Report provides an overview of the company's activities, achievements and the business challenges we faced in 2021.

In 2021, we implemented a major strategic change in the business management, determining the direction of the company's sustainable activities. The decision to commit to sustainability, assuming all the associated liabilities, has led to ethical and legal pillars. We defined the company's responsibility for the impact of its activities on people, environment, and society in the newly emerged documents: the Code of Conduct and Ethics, the Anti-Corruption Policy, and the Sustainability Policy 2050. The new policies and the Code of Conduct and Ethics adopted by the Board of ŽALVARIS set out the legal, moral and ethical principles of corporate decision making and requirements for the company's management and employees, including business partners and other stakeholders. These instruments also facilitated enhanced protection of human rights, safety for employees, advance environmental commitments, and resulted in the company's decision to join the United Nations Global Compact initiative.

We strive to make the management of all waste generated by our customers comprehensive, effective and socially beneficial; therefore, in 2021, we maintained our successful business activities in the field of hazardous waste, expanded our services in the field of non-hazardous industrial waste, and continued cooperation with our strategic partners. We also invested in the acquisition of special machinery and production facilities to mitigate climate change risks, while improving our operational efficiency.

With the COVID-19 pandemic still in its active phase last year, we proceeded with the coronavirus management measures and focused on occupational health and safety. We introduced a tele-

working and hybrid working models in the company, provided the employees with motivational tools related to promote vaccination and access to complementary health care services. Zero occupational injuries and fatal accidents is our top social priority. Unfortunately, despite all the health preventive measures in place and due to certain operational risks, we were not able to achieve zero work-related injuries and accidents in 2021. In this context, we will persist in our efforts to ensure the paramount occupational safety goals.

In 2021, we continuously focused on the quality and environmental management processes at ŽALVARIS. Last year, the company maintained the integrated Quality, Environmental and Occupational Health and Safety Management System in accordance with ISO standards. Since 2018 our company is also certified as a waste management facility for the collection, transport and technological processes of waste electrical and electronic equipment according to the requirements of the WEEELABEX standard.

ŽALVARIS encourages and supports a wide range of environmental and social initiatives, which, in terms of corporate values, correspond to the most important impact areas that are directly aligned to the Sustainable Development Goals. In 2021, we continuously supported and sought to foster the long-term partnerships that help to create, nurture, and grow the prosperity of our country and society.

We will work further to develop our activities in the areas that contribute to preserving the environment, reducing pollution, empowering and engaging people in various dimensions – both personal and societal. While remaining loyal to our core corporate values, we will endeavour to create the added value for our employees, customers, partners, local communities and investors.

OUR BUSINESS AND SUSTAINABILITY

What is ŽALVARIS?

As one of the largest hazardous and non-hazardous waste management companies in Lithuania, we hold a leading role in the local waste management sector. The history of ŽALVARIS dates back to 1965; we are one of the longest-established and most stable Lithuanian capital companies in the country.

ŽALVARIS collects, sorts, processes and recycles hazardous and non-hazardous waste. In 2021, we managed 65,000 tonnes of waste, increasing the volumes by 35%, compared to 2020. Last year, the company's product portfolio consisted of 60% hazardous and 40% non-hazardous waste.

ŽALVARIS was the first company in Lithuania to manage automotive waste: lead-acid batteries, oil, fuel, lubricant, air and cabin filters, shock absorbers. In 2021, we managed more than 11.6 thous. tonnes of this waste.

KEY FIGURES



PARTNERS AND RANGE

We ensure customer-friendly collection of waste. Our branches are located in seven major Lithuanian cities: Kaunas, Vilnius, Klaipėda, Šiauliai, Panevėžys, Utena, and Marijampolė.

We manage the collected waste either by using its capabilities or outsource the services to the **certified partners** across Europe. We hold permits, licences and contracts that enable us to transport and dispose of waste in the Baltic States, Poland, the Czech Republic, Germany, Switzerland, and other countries.



OUR BUSINESS AND SUSTAINABILITY

Values and Approach

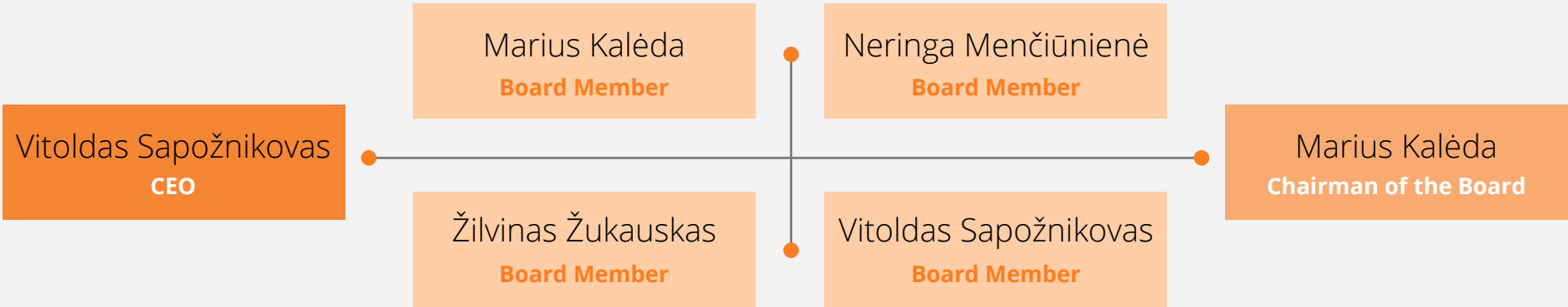
Our value-based APPROACH underpins the mindset, decision-making and personal action or omission of the company's employees and the top management. It guides us through all the organisational levels and in any business decisions.

OUR APPROACH: *we perceive waste management as a complex process that requires a responsible approach; therefore, we aim to eliminate the environmental footprint of business operations, thus contributing to the achievement of human, business and social sustainability goals.*

OUR ROLE: integrated management of waste streams produced by businesses.

OUR CORE VALUE is being responsible for the impact of our activities on the environment, people and society, and assuming leadership in the waste management sector. This serves as the basis for developing our organisational culture.

Top Management



Business Performance in 2021

2021 was a successful year for ŽALVARIS. The company focused on expanding its operations, especially in the segments of industrial waste and wood waste. The company's net profit amounted to EUR 1.444 million in 2021.

Sales Revenue in 2021

In 2021, the sales and service provision revenues of ŽALVARIS amounted to EUR 18.999 million, increasing by 18.6%, compared to 2020. The disposal revenues accounted for the largest share of total revenues in 2021.

Sales revenue by type, in EUR million:	2021	2020
Lead	4.549	4.313
Metals	0.522	0.305
Oil	0.638	0.427
Secondary raw materials	0.502	0.233
Electronics, galvanic cells	0.580	0.781
Disposal services	10.702	8.810
Product fee	0.782	0.547
Other waste	0.438	0.345
Other services	0.286	0.259
TOTAL:	18.999	16.020

OUR BUSINESS AND SUSTAINABILITY

Sustainability Reporting Approach

To develop the sustainability strategy consistently, ŽALVARIS has decided to join the United Nations (UN) Global Compact initiative and follow the international sustainability reporting approach developed by the UN Global Compact, which entails annual reporting on the UN Global Compact digital platform and the company's website.

To strengthen accountability, we use a triple bottom line measurement to corporate sustainability reporting:

- ▶ we prepare our sustainability reports according to the guidance of the Ten Principles of UN Global Compact;
- ▶ we structure and measure our sustainability indicators according to the NASDAQ ESG Reporting Guide 2.0; and
- ▶ we assess our sustainability performance according to the UN Sustainable Development Goals.

The compliance with these indicators is summarised in the Sustainability Report and outlined in the Environmental, Social and Governance (ESG) Index.

Given the rapid global growth of the sustainable investment sector, and the development of the taxonomy for the classification of sustainable activities in the context of the EU Climate Change Policy and the EU sustainable finance regulatory framework, ŽALVARIS has adopted the ESG rating guide developed by the international NASDAQ stock exchange, relying on the international taxonomy expertise, which is standardised and periodically updated by private equity investors and sustainability experts.

Reporting Period

This year, ŽALVARIS submits its first Sustainability Report covering the company's activities from **1 January 2021** to **31 December 2021**.

Scope of the Sustainability Report

The Sustainability Report is submitted within the scope of activities of the company ŽALVARIS UAB.

SUSTAINABILITY POLICY 2050

On 1 December 2021, the Board of ŽALVARIS approved the company's long-term **Sustainability Policy 2022–2050** that sets out the strategic directions for sustainable development, considering the environmental, social and economic expectations of stakeholders.

Our Sustainability Policy is the fundamental commitment to sustainable business development by setting responsible business goals and objectives that integrate the UN Sustainable Development Goals (SDGs) aligned to our company's activities. We identified the SDG priorities based on the fundamental goal – to make a direct positive impact in the selected sustainable development area.



SUSTAINABILITY POLICY 2050

ŽALVARIS has identified five strategic actions for sustainable business:



Climate Change Risk Management by 2050

- ▶ Since 2022, we reduce greenhouse gas (GHG) emissions.
- ▶ We invest in greenhouse gas (GHG) mitigation projects.
- ▶ We invest in offsetting projects to compensate for the negative environmental impact.
- ▶ We promote climate change mitigation in our supply and value chains.



Sustainable Production and Consumption Promotion by 2050

- ▶ We provide sustainable services in managing hazardous and non-hazardous waste responsibly.
- ▶ We ensure the implementation of the principles of recycling and circularity in the waste management sector.
- ▶ We develop a green procurement system to create sustainable supply and value chains.
- ▶ We communicate our sustainability projects and their results to stakeholders.
- ▶ Since 2022, we submit public annual Sustainability Reports.
- ▶ We promote sustainability dialogue in our supply and value chains.



Energy Efficiency and Renewable Energy by 2050

- ▶ We invest in renewable energy in our production and administrative activities.
- ▶ We invest in increasing our electric vehicles fleet.
- ▶ We aim to make our waste transportation system more effective and energy-efficient.
- ▶ We promote the use of renewable energy sources in our supply and value chains.

SUSTAINABILITY POLICY 2050

ŽALVARIS has identified five strategic actions for sustainable business:



Good Health, Safety and Well-Being of Employees by 2050

- ▶ We ensure the safety and healthy working conditions for our employees.
- ▶ We actively promote the occupational health, psychological and emotional well-being for our employees.
- ▶ We develop the internal well-being programme for the employees.
- ▶ We provide and encourage employees to take advantage of health care insurance.
- ▶ We promote occupational safety, health and well-being in our supply and value chains.



Gender Equality, Inclusion and Empowerment by 2050

- ▶ We integrate the principles of women's empowerment ensuring a comprehensive approach to gender equality.
- ▶ We invest in programmes to support the development of female employees' competences.
- ▶ We aim to balance the number of male and female employees in the top management positions and in the Board.
- ▶ We promote the implementation of the principles of gender equality in our supply and value chains.

SUSTAINABILITY POLICY 2050

Sustainability Dialogue with Stakeholders

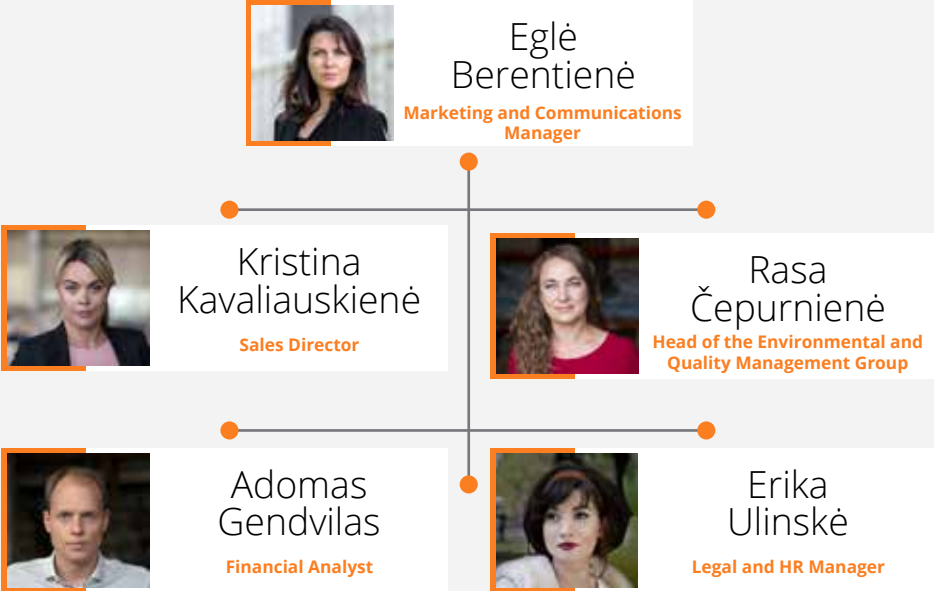
The sustainable business strategy of ŽALVARIS is based on the pursuit of an effective sustainability dialogue with all stakeholders; therefore, the following aspects are of particular importance to us:

- ▶ **Sustainability** knowledge and competences of our employees and the top management;
- ▶ Embedding **sustainability** in our organisational culture;
- ▶ **Sustainability** communication with our customers, suppliers, partners, and society;
- ▶ **Sustainability** requirements for our new business partners and suppliers.

Sustainability Group

To ensure the effective implementation and continuity of the sustainability strategy, the integrated Sustainability Group has been established and active since 2021, bringing together employees of different expert fields and responsibilities. The Group is accountable for making recommendations for the company's sustainable development, engaging employees in sustainability actions and initiatives, preparing annual sustainability reports, and maintaining proactive internal and external communication.

The Sustainability Group of ŽALVARIS acts in an advisory capacity to the company's top management and reports directly to the CEO.



CORPORATE GOVERNANCE

As one of the largest and longest-established waste management business groups in Lithuania, ŽALVARIS applies ambitious standards of business ethics and compliance in all its activities.

We are responsible, transparent, ethical, honest and open, and comply with national laws and international standards of corporate governance. In doing so, we strive to create maximum value for our customers, partners, employees, society, and shareholders.

Corporate governance is the basis for the development and continuity of our organisational culture.

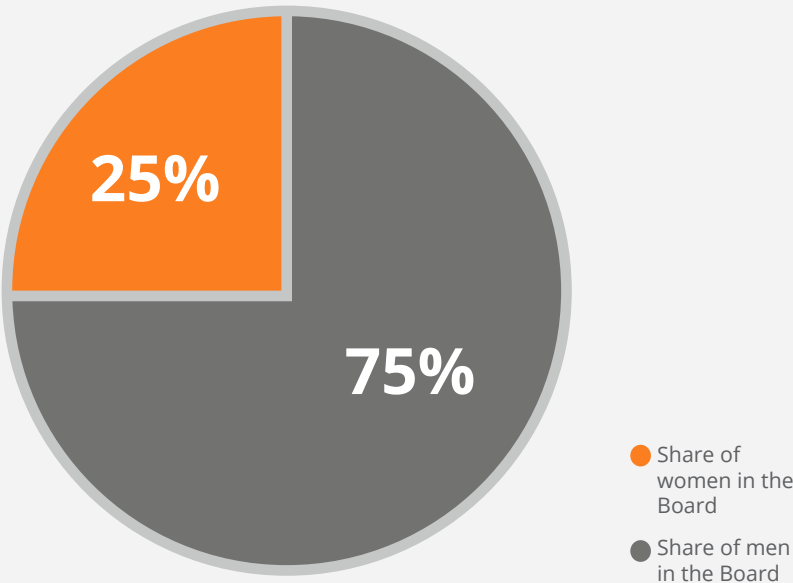
Board Diversity ESG-G1

Research on effective corporate governance shows that a higher number of women in the Board is directly linked to higher business performance, including better financial results, effectiveness of the Board, the ability to attract and retain talents in the business, create innovations, and accomplish better customer satisfaction and long-term sustainability indicators.

In 2021, there were four members in the Board of ŽALVARIS, including one woman.

Board Diversity	Total number of members	Number of female members	Share of women, %
Number of women in the Board	4	1	25%

As part of SDG 5 'Achieve gender equality and empower all women and girls', the aim is to balance the number of members in the Board by 2024, ensuring an equal number of men and women.



Board Independence ESG-G2

The independent or quasi-independent structure of the Board is an indicator of several effective corporate governance practices. It demonstrates the effectiveness of corporate governance and a modern approach towards it. Responsible companies have the option of introducing two measures: separating the positions of the CEO and the Chairman of the Board or appointing one or more independent members to the Board.

In 2021, the principle of independence was maintained in the Board of ŽALVARIS by separating the positions of the CEO and the Chairman of the Board.

Board Independence	Yes/No
The CEO also acts as the Chairman of the Board	No
The Board has one or more independent members	No

CORPORATE GOVERNANCE

Management Commitment to Sustainability ESG-G3

A company implementing a sustainable business strategy should assess the need for new environmental, social and governance (ESG) competences and skills, and ensure their commitment. In this respect, a highly effective management tool is to incentivise top management for achieving effective ESG performance.

In line with the strategic decision, the sustainable development of ŽALVARIS is based on the *bottom-up management* approach. It means that the company encourages its employees' sustainability initiatives and sets the individual sustainability targets to the top managers and members of the Sustainability Group. The implementation of this principle is one of the top priorities of the Sustainability Group.

Collective Bargaining ESG-G4

Good practices of corporate governance reveal that effective collective bargaining facilitates the inclusion of employees in the business decision-making processes that affect their working environment. Also, it contributes to reducing the gap between managers and employees, attracting and retaining talents in the company, who are well prepared to defend their rights and represent their legitimate interests in the Labour Councils.

Labour Council is in place in the company since 2017.

A new election of the Labour Council is planned for 2022, with five employee representatives to be elected. The newly elected Labour Council will be empowered to defend the employees' occupational, economic and social rights, and represent their interests.

CORPORATE GOVERNANCE

Code of Conduct and Ethics ESG-G5

The UN Global Compact states that by actively managing its sustainability performance, a company ensures the environmental, social and economic interests of its business, as well as those of its stakeholders. One of the key indicators defining the company's approach to sustainability is the Code of Conduct and Ethics applicable to both the company and its suppliers.

On 1 December 2021, ŽALVARIS adopted the **Code of Conduct and Ethics** at the level of the ŽALVARIS Group, which is applied to all the employees, customers, partners and suppliers. With this regard, the company has also initiated the first phase of sustainability dialogue with its suppliers operating in Lithuania, making them aware of the standards of conduct and ethics of ŽALVARIS.

Our Code of Conduct and Ethics is available on the company's website under
Responsible Activities > Policies - https://www.zalvaris.lt/en/responsible-activity/policies#block_2

By 2023, ensuring uniform standards of ŽALVARIS conduct and ethical norms, the Code of Conduct and Ethics of the company will be further communicated to our suppliers and business partners abroad. We aim to harmonise the current sustainability capacities and develop the sustainability dialogue with our stakeholders for continuous training and auditing schemes implementation in the future.

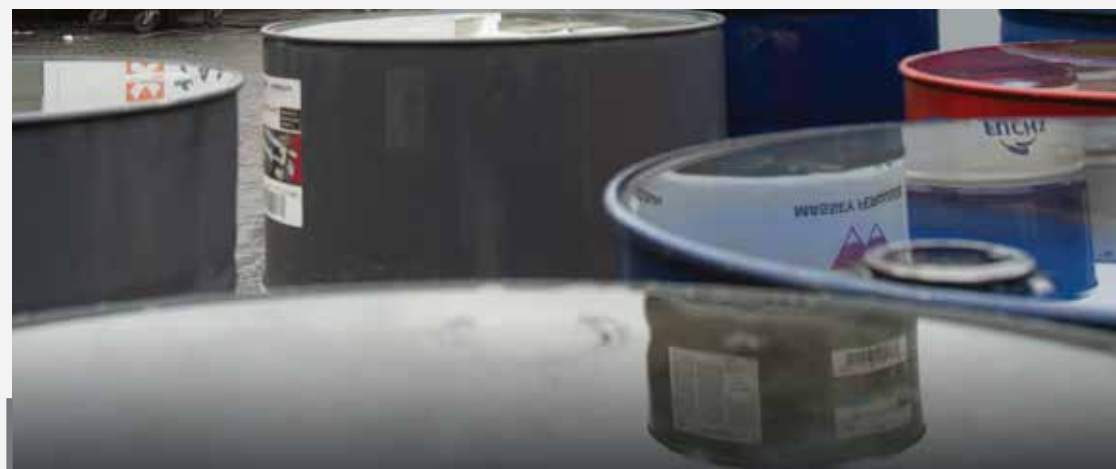


CORPORATE GOVERNANCE

Business Ethics and Anti-Corruption ESG-G6

Our company is committed to the highest standards of business ethics and conduct that is socially responsible, transparent, ethical, honest and open. The Code of Conduct and Ethics of ŽALVARIS sets out the following valuable business principles:

- ▶ **We act responsibly** by being a fair market player, abiding legal regulations and established procedures, and demonstrating zero tolerance to unfair competition practices. We manage legal and financial risks effectively.
- ▶ **We act transparently** by applying a zero-tolerance anti-corruption policy, being accountable to our shareholders and stakeholders, and publishing the reports on our business and sustainability performance.
- ▶ **We act ethically** by protecting data privacy, intellectual property, and confidential business information, preventing direct and indirect conflicts of interest, and ensuring appropriate and ethical conduct of our employees in the market.



**Anti-Corruption
Policy**

Our business transparency is based on compliance with all national legal requirements and regulations applicable to responsible businesses, as well as continuous internal control of anti-corruption risks and employees' competence development.

To reinforce transparency and ethical commitments, on 1 December 2021, the Board of ŽALVARIS approved the **Anti-Corruption Policy**, established the **Register of Gifts and Hospitality**, which is mandatory for all employees, also embedded the core anti-corruption provisions into the **Code of Conduct and Ethics**. Each employee and manager of the company is personally responsible for being aware of, understanding and complying with the anti-corruption requirements.

The administration-level employees were introduced to the new set of sustainability regulation. In 2021, we also set up a whistle-blowing system and introduced our employees to **anonymous e-mail hotline** of ŽALVARIS – pasitikėjimolinija@zalvaris.lt, which is available on the company's website under *Responsible Activities > Policies* - https://www.zalvaris.lt/en/responsible-activity/policies#block_2.

By 2023, we will periodically organise internal sustainability trainings for our employees to raise their awareness of the company's good governance practices, business ethics, and anti-corruption regulations.

CORPORATE GOVERNANCE

Data Privacy / GDPR ESG-G7

In the context of the modern digital economy, the privacy of personal data and its responsible management is a topic of foremost importance not only for businesses but for the entire society. Each person's data entering into business databases creates a virtual personal identity that must be protected with great care.

The EU General Data Protection Regulation (GDPR) and its provisions, as transposed into the national legislation of the EU Member States, help businesses to manage the risks associated with protecting the privacy of personal data and its reliable processing. The GDPR risk management tools and their proper management are relevant for all business actors, including sustainable investors. They demonstrate whether a business:

- ▶ complies with the legal requirements for the protection of personal data;
- ▶ has a professional personal data protection system in place;
- ▶ effectively manages the personal data it receives and transfers;
- ▶ manages the legal risks associated with data protection; and
- ▶ guarantees the human right to privacy.

On 5 December 2017, ŽALVARIS adopted the **Employee Personal Data Protection Policy and the Procedure for its Implementation Measures**, and the **Procedure for the Use of Information and Communication Technologies and Monitoring and Control of Employees in the Workplace**; on 27 April 2018, the company adopted the **Personal Data Processing Rules**. The documents contain the methods and objectives of processing personal data, the data collection procedure, the appropriate transfer of data to the recipients, the rights of data subjects, and confidentiality and storage provisions. Under the adopted procedures, training has been provided to employees, based on their assigned responsibilities, following the GDPR guidelines.

Our company's partners responsible for the information system maintenance ensure the reliability of the IT system, carry out system updates and maintenance tasks.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Our approach to the environmental protection is based on the core values of the non-compromising compliance with environmental requirements, and mitigating the negative impact of climate change, with the ultimate aim of becoming a **climate neutral company**.

The mission of ŽALVARIS is to manage waste responsibly, based on the principles of the **circular economy**, through the professional **processing of hazardous and non-hazardous waste**, which is used to produce new products for the agricultural, transport, recyclable packaging, electric and thermal energy sectors.



We follow the four environmental principles in our operations:

- ▶ preventive measurement and implementation of activities;
- ▶ minimising negative environmental impact;
- ▶ employment of circular economy solutions; and
- ▶ consistent reduction of GHG emissions and environmental footprint.

To achieve these goals, we:

- ▶ strictly comply with national legislation governing environmental protection in the waste management sector;
- ▶ manage the waste generated by economic entities in a genuine, certified, transparent, and verifiable way;
- ▶ report on waste management to private customers and public authorities;
- ▶ follow international principles and standards for accounting of GHG emissions and offsetting negative environmental impact;
- ▶ provide environmental and sustainability training for employees, customers, and other stakeholders;
- ▶ openly communicate the environmental and climate change challenges and our solutions;
- ▶ publicly promote the principles of sustainable consumption and waste reduction, reduce the use of natural resources, and minimise negative environmental impact; and
- ▶ support environmental initiatives, social and private projects.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Energy usage

GHG Emissions and Intensity ESG-E1/E2

Greenhouse gas (GHG) emissions are an important indicator of climate change and the global environmental protection, demonstrating the actual situation and climate change targets.

Since 2021, ŽALVARIS monitors and accounts for actual GHG emissions to the atmosphere, measured in CO₂e. In 2021, according to the international GHG Protocol, and taking into account the direct emissions generated by the company (Scope 1) and the indirect emissions resulting from the company's purchases of heat and electric energy (Scope 2), the business activities of ŽALVARIS have resulted in a total of

▶ **1,328.42 tonnes of CO₂e emissions.**

The company has not calculated GHG emissions from the third-party activities (Scope 3) yet; however, it intends to do so in the future.

In terms of a climate change impact, considering the volumes of hazardous and non-hazardous waste managed by ŽALVARIS, the total GHG emission intensity for 2021 was the following:

▶ **0.026 tCO₂/tonne of hazardous and non-hazardous waste***

* $1,328.42/51388 = 0.026 \text{ tCO}_2/\text{t}$

Since 2022, ŽALVARIS will strive to become a '**climate neutral**' company and **will offset its accumulated GHG emissions annually** by investing in the selected climate change mitigation projects. Long-term investments in the company's renewable energy sources and electric vehicle fleet are also included into the strategic plans.



ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Energy Usage, Intensity and Mix ESG-E3/E4/E5

In terms of the climate change management, the power and heat energy sources, their efficiency and availability have a direct impact on the effective and sustainable business operations. Energy intensity is an important indicator of a company's cost-effectiveness, as well as sustainability risk management.

*The **Sustainability Policy 2050** sets a strategic goal of improving ŽALVARIS energy efficiency for the period 2022-2050. This goal is to be achieved by 2024 through implementing the requirements of the international standard **ISO 50001 – Energy Management Systems**. The integration of the ISO 50001 will ensure systematic monitoring and auditing of energy efficiency. This measure will contribute to our environmental commitments under the UN Global Compact and the UN Sustainable Development Goal of sustainable and affordable energy through the conservation of electric and heat energy resources.*

*In the long-term perspective, all ŽALVARIS **electric power** should originate from renewable energy sources only.*

ŽALVARIS monitors and measures its activities in terms of the type and intensity of energy consumed. In 2021, the **heat energy** used by the company originated from the following sources:

- Gas in **Kaunas**
- Electric power in **Vilnius**
- Electric power in **Klaipėda**
- Electric power in **Šiauliai**
- Gas in **Panevėžys**; and
- Electric power in **Utena**

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

ENVIRONMENTAL MANAGEMENT

Environmental Compliance, Policies and Audits ESG-E7

The core business of ŽALVARIS is **management of hazardous and non-hazardous waste**, which is subject to rigorous environmental requirements and mandatory reporting to stakeholders following the environmental legal regulations of the EU and the Republic of Lithuania, as well as the international environmental and quality management standards implemented by the company.

ŽALVARIS operates in the following areas:

- ▶ collecting, processing and/or recycling of used batteries, shock absorbers, lubricants, fuel, air filters, tyres, oil, and other automotive waste;
- ▶ collecting, pre-processing and transferring for further processing (including export) of used galvanic cells, electrical and electronic equipment;
- ▶ collecting, pre-processing and organising the further processing (including export) of contaminated and non-contaminated packaging;
- ▶ purchasing, sorting and selling non-ferrous and ferrous scrap and waste;
- ▶ managing a wide range of other hazardous and non-hazardous waste (collection, pre-processing, organising the further management of secondary raw materials and waste (including export));
- ▶ consultancy on waste management and accounting;
- ▶ awareness-raising on waste management.

The company is registered in the State Register of Waste Management Companies. ŽALVARIS carries out its activities under the special Integrated Pollution Prevention and Control (IPPC) permits regulated by the Republic of Lithuania.

Since 2003, the company has implemented the management system according to the requirements of the standard **LST EN ISO 14001:2015 – Environmental Management Systems**, for the scope of the management of waste batteries (galvanic cells) and accumulators, waste oils, waste electrical and electronic equipment, waste vehicle filters (fuel or lubricant filters for internal combustion engines, intake air filters for internal combustion engines) and hydraulic (lubricant) shock absorbers, tyres, ferrous and non-ferrous waste and scrap, and other hazardous and non-hazardous waste.

Since 2003, the company has also implemented the management system according to the requirements of the standard **LST EN ISO 9001:2015 – Quality Management Systems**, for the scope of the management of waste batteries (galvanic cells) and accumulators, waste oils, waste electrical and electronic equipment, waste vehicle filters (fuel or lubricant filters for internal combustion engines, intake air filters for internal combustion engines) and hydraulic (lubricant) shock absorbers, tyres, ferrous and non-ferrous waste and scrap, and other hazardous and non-hazardous waste.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Since 2018, ŽALVARIS applies the standard **WEEELABEX (EN 50625-1:2014)** in its operations, thus proving the compliance of the technological process of processing of electrical and electronic equipment with the European Standard EN 50625-1:2014 Collection, Logistics & Treatment requirements for WEEE – Part 1: General treatment requirements.

The **Sustainability Policy 2050** sets out strategic environmental priorities for the period from 2022 to 2050, including:

- ▶ accounting for and reducing GHG emissions;
- ▶ mechanisms for mitigating climate change;
- ▶ investments to offset negative environmental impact;
- ▶ implementation of the energy management system;
- ▶ investments in the development of renewable energy sources;
- ▶ investments in the development of the electric vehicle fleet;
- ▶ monitoring of environmental performance and reporting to stakeholders;
- ▶ environmental and sustainability dialogue in the supply and value chains.



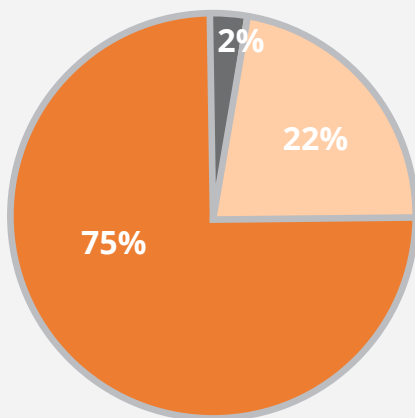
ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Customer Satisfaction Survey 2021

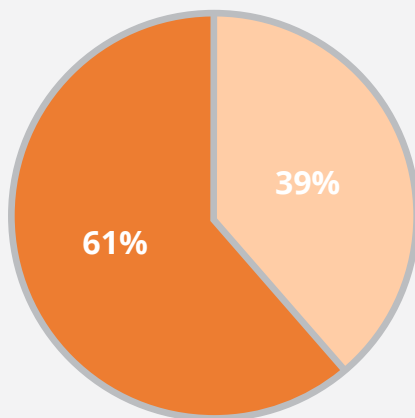
We are a trusted partner of 4,000 industrial companies and vehicle maintenance and repair businesses in Lithuania. Thorough services and high quality are the top priorities of ŽALVARIS customer service. To find out the customers' opinion about our services and get feedback on other relevant issues, we launch a customer satisfaction survey every two years.

The survey conducted in October 2021, covered 192 customers: 124 industrial companies and 68 vehicle repair workshops. Among other things, in the survey, we asked customers to express their views on the company's sustainability performance and climate change. The results showed that 98% of industrial customers and 100% of vehicle repair workshops considered it important that the company **provides services following the sustainability principles**, takes care of, and **implements measures to prevent climate change**.

Industrial companies, 2021



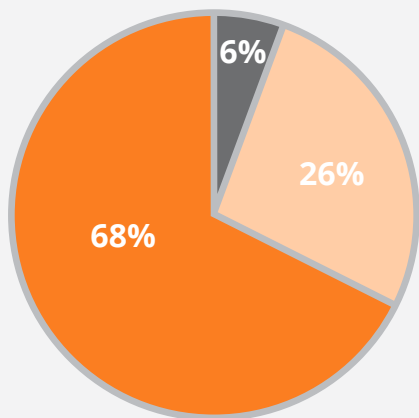
Vehicle repair workshops, 2021



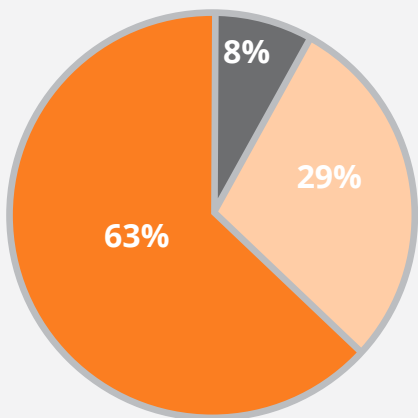
● Completely irrelevant
● Rather relevant than irrelevant
● Extremely relevant

Last year's customer survey also revealed that 94% of the industry companies and 92% of vehicle repair workshops considered it important that **the company and its partners are reputable** and have been **well-established on the market**.

Industrial companies, 2021



Vehicle repair workshops, 2021



● Completely irrelevant
● Rather relevant than irrelevant
● Extremely relevant

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

CLIMATE CHANGE POLICY ESG-E8/E9

Climate change is an integral and strategic part of business development, the success and performance of which depends on the approach and vision of the top management. The **Sustainability Policy 2050** of ŽALVARIS states that, at a strategic level, responsibility for a sustainable business development and climate change performance lies with the CEO of the company.

As a result of the Sustainability Policy implementation, ŽALVARIS submitted a membership application to the UN Global Compact, declaring its aim to manage business based on the four sustainability pillars and in line with the international sustainable development principles.

On 13 January 2022, ŽALVARIS officially became a member of the UN Global Compact and committed to responsibly develop a targeted sustainability policy in compliance with the four sustainability pillars:

- ▶ respect for human rights;
- ▶ ensuring labour standards;
- ▶ environmental protection;
- ▶ combating corruption.

Based on the Sustainability Policy 2050, the company has established a **Sustainability Group** that is responsible for making recommendations on sustainability to the CEO, engaging employees in sustainability actions and initiatives, preparing annual sustainability reports, and promoting internal and external sustainability communication.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

CLIMATE RISK MITIGATION

Investing in Climate Change Mitigation Measures ESG-E10

By developing our business in a sustainable way, we make strategic investments to systematically reduce the unavoidable negative environmental impact of our activities, by acquiring efficient technological solutions, green investments and long-term partnerships to achieve this goal.

Planning and attracting sustainable investments have become a new challenge for the company. In planning these activities and processes, we link green investments to the long-term benefit for our business. We expect them to become an integrated and systematic solution resulting in a positive change for our customers, partners, employees, and society.

We also strive to ensure that the company's acquisitions of machinery and other equipment support the implementation of the circularity principles in waste management, are both state-of-the-art and sustainable, thus contributing to the mitigation of climate change risks.

*The **Sustainability Policy 2050** of ŽALVARIS provides for strategic investments in the use of renewable energy sources in the company's supply and value chains and the technologies that reduce the climate footprint.*

*In line with the Sustainable Development Goal (SDG7) 'Ensure access to affordable, reliable, sustainable and modern energy for all' ŽALVARIS is planning the long-term investments in the instalment of solar panels and other **renewable energy sources** in the company's premises and production processes, as well as the development of its own the electric vehicle fleet.*

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

WORK CULTURE AND CONDITIONS

The work culture at ŽALVARIS is based on sincerity and trust. Our social sustainability is underpinned by the **Equal Opportunities Policy** and the **Code of Conduct and Ethics**, which enshrine our responsibility for the impact of the business activities on people and society.

We want all our employees to be respected, heard and supported. We encourage them to use their talents and abilities at work to the fullest, and stay motivated to further develop their competences. We follow the principles of fair labour and respect, and protect the employees' rights.

Salaries and Gender Equality ESG-S1S2

The remuneration system for the managers and employees at ŽALVARIS is based on the company's **Remuneration System**, approved on 5 December 2017. According to this system, the remuneration of employees relies on:

- ▶ the competences required and held for the position concerned;
- ▶ the complexity of the work and the responsibilities of the position concerned;
- ▶ personal achievements and contribution to the company's operations;
- ▶ the level of remuneration of the position concerned in the market.

The company's remuneration hierarchy, the salaries, and incentives are approved by the Board.



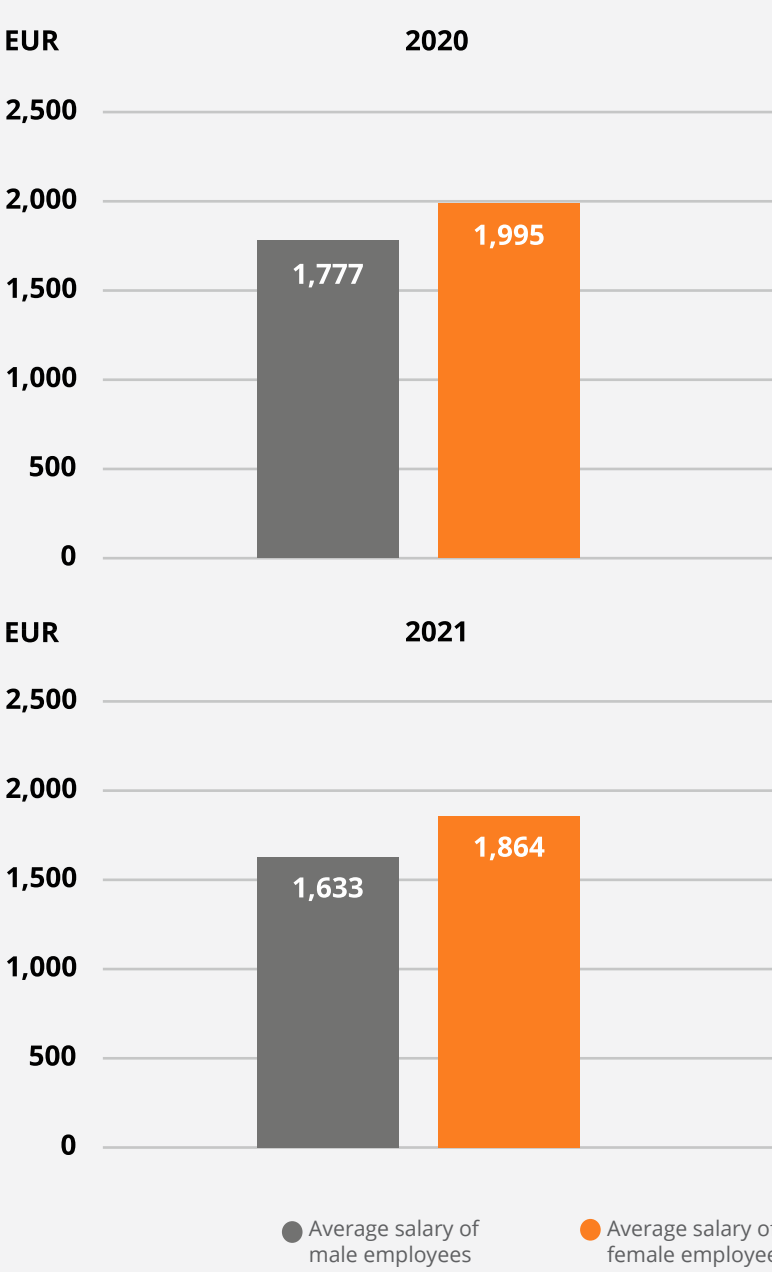
OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Gender equality is one of the priority targets of the sustainability strategy of ŽALVARIS; therefore, the company aims to ensure the *principle of equal pay for equal work*. We are convinced that the principle of equal pay is a crucial factor in retaining qualified employees in the company. At the same time, it helps to attract new talents and enhances the good reputation of our business.

In 2020 and 2021, the average salary of female employees in the company was relatively higher than that of male employees. Compared to the average salaries paid by other Lithuanian waste management companies, ŽALVARIS remains the market leader in this area.

Salary and gender equality	2020, EUR	2021, EUR
Average salary of male employees	1,777	1,633
Average salary of female employees	1,995	1,864

Average salaries of employees, 2020–2021



OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Employee Turnover ESG-S3/S5

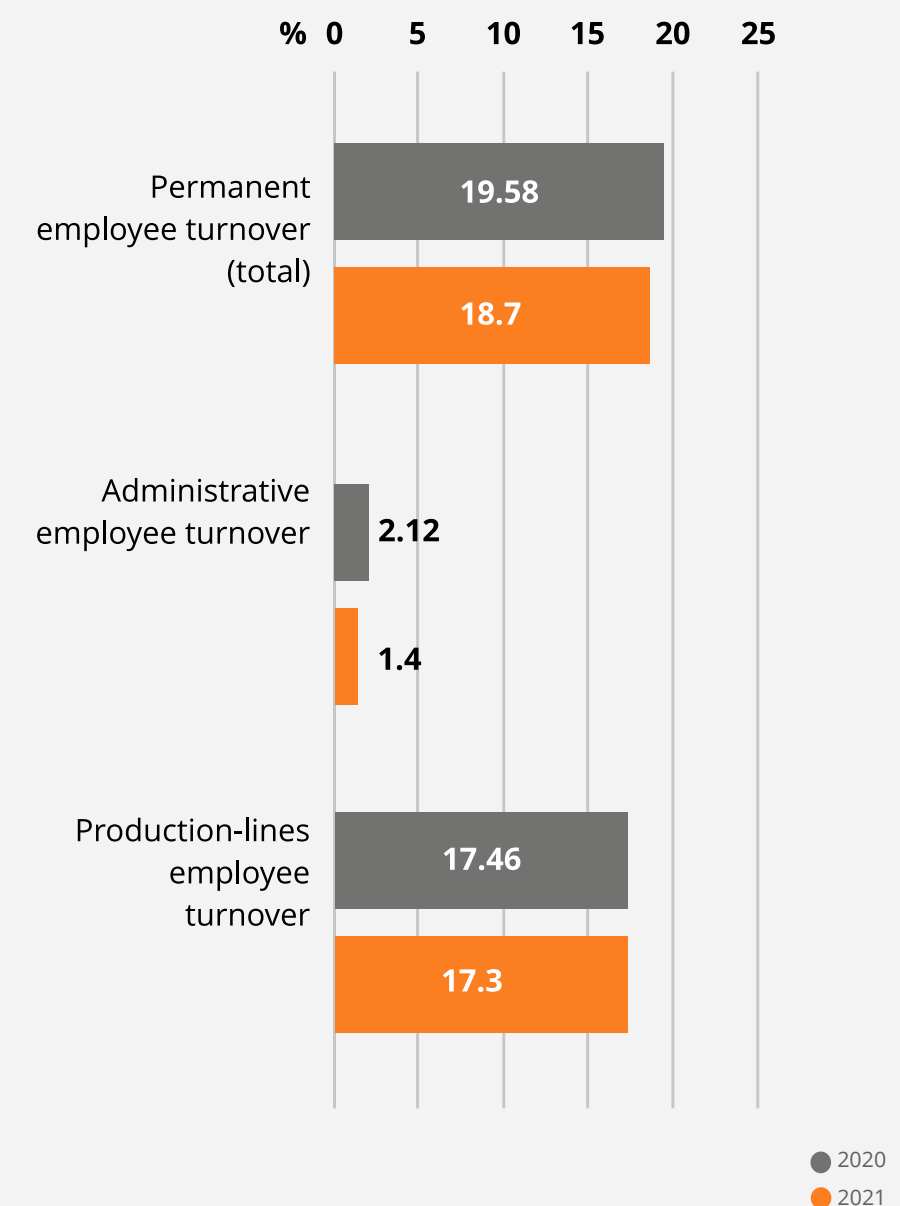
High employee turnover has a direct impact on the company's financial performance and market reputation. It can indicate the level of employee uncertainty or dissatisfaction with the company, and lead to changes in the company's operational structure that is a critical area of business risk management.

In 2021, the employee turnover rate at ŽALVARIS decreased significantly, from 27% in 2020 to 18.7% in 2021. This was caused by several significant factors:

- ▶ minimum turnover of administrative employees in the company;
- ▶ decreased turnover of production-lines employees, which is generally higher and mainly due to breaches in labour discipline.

Employee turnover	2020, %	2021, %
Permanent employee turnover (total)	19.58	18.7
Administrative employee turnover	2.12	1.4
Production-lines employee turnover	17.46	17.3

Employee turnover in 2020–2021



OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Gender diversity and equal opportunities ESG-S4/S5

EQUAL OPPORTUNITIES

ŽALVARIS strives to create a well-established organisational culture based on the principles of equal opportunities and gender diversity. We do this in accordance with the **Equal Opportunities Policy** adopted on 5 December 2017, which provides for equal rights for all employees of our company regardless of their gender, race, nationality, language, origin, social status, religion, beliefs or opinions, age, sexual orientation, disability, ethnicity, or other personality traits.

We respect the uniqueness of all employees; we listen and respond to their needs. At the same time, we encourage a behaviour of mutual understanding and respect.

In the **Code of Conduct and Ethics**, we openly express and ensure:

- ▶ respect for human rights and freedoms;
- ▶ zero tolerance to any discrimination;
- ▶ zero tolerance to any harassment and bullying;
- ▶ equal access to employment;
- ▶ equal opportunities for equal pay for equivalent competences and work,
- ▶ equal opportunities for competence development.

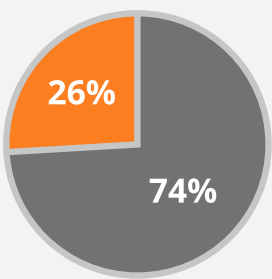
In 2021, the company recorded no case of discrimination.
In 2021, the company received no complaints on violation of equal opportunities.

GENDER EQUALITY

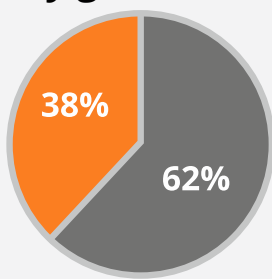
In 2021, the company employed significantly more men than women, including the top management positions.

Gender diversity and equal opportunities	Men, %	Women, %
Overall employee ratio	74	26
Production-lines employees	95	5
Administrative employees	28	72
Employees at management level	62	38

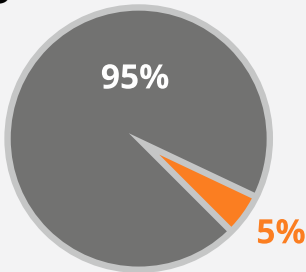
Share of employees
by gender



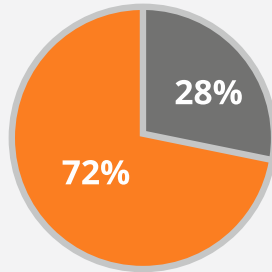
Share of employees
at management
level by gender



Share of production-
lines employees
by gender



Share of administrative
employees by gender



● Male ● Female

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

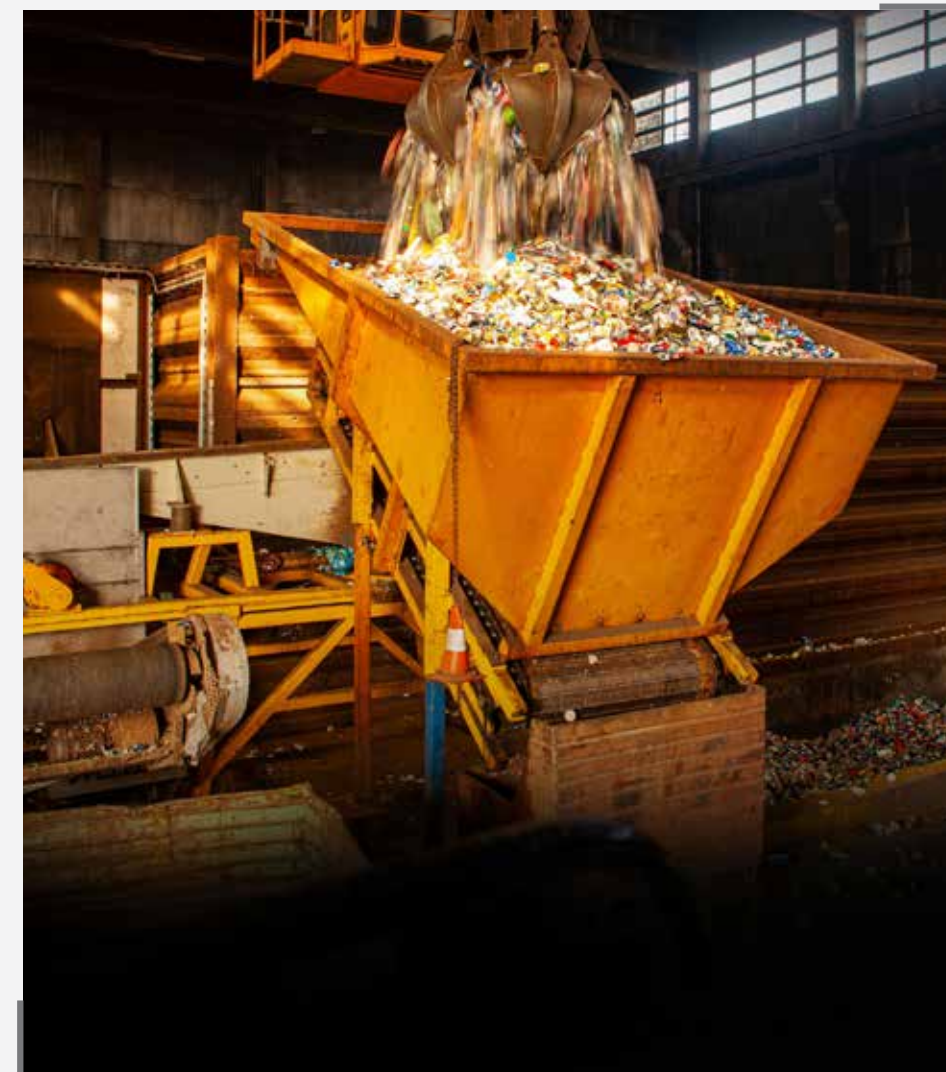
Occupational health, safety and well-being ESG-S7/S8

Good health and safety performance is a key measure of corporate social responsibility. It is a social license for businesses to operate in the market and be accepted in community. The target of ŽALVARIS is **zero work-related injuries and fatal accidents**.

On 1 October 2020, the company adopted the **Quality, Environmental and Occupational Health and Safety Policy** that sets out the fundamental provisions of the company's activities in terms of environmental and social responsibility.

Since 2018, ŽALVARIS has the **Occupational Health and Safety Management System** in place compliant with the standard **ISO 45001**, which ensures the safety and health of the company's employees by reducing the likelihood of accidents at work and the morbidity of employees. The system provides for the following key principles:

- ▶ improving the operational efficiency and thus reducing accidents;
- ▶ ensuring the safety of the organisation's employees, property, and equipment;
- ▶ demonstrating the compliance with the law and improving the organisation's reputation in the area of occupational safety and health;
- ▶ improving internal and external communication and safety culture within the company.



OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Unfortunately, the data of 2021 demonstrates that, despite the company's efforts, the target of zero work-related injuries and fatal accidents at work has not been achieved.

- ▶ In 2021, three employees were fatally injured at work, including the accidents on the way to or from work.
- ▶ Physical injuries at work resulted in 32 sick leave days.
- ▶ A total of 1,086 sick leave days were used by employees due to immune and chronic diseases. That is, on average, one ŽALVARIS employee spent seven sick leave days per year.

With this regard, in 2022 we have planned more trainings and additional sets of information for our production-lines employees on safety and responsible behaviour in the workplace, as well as recap on the first aid.

OCCUPATIONAL WELL-BEING

Occupational well-being, like health and safety, is one of the company's top priorities.

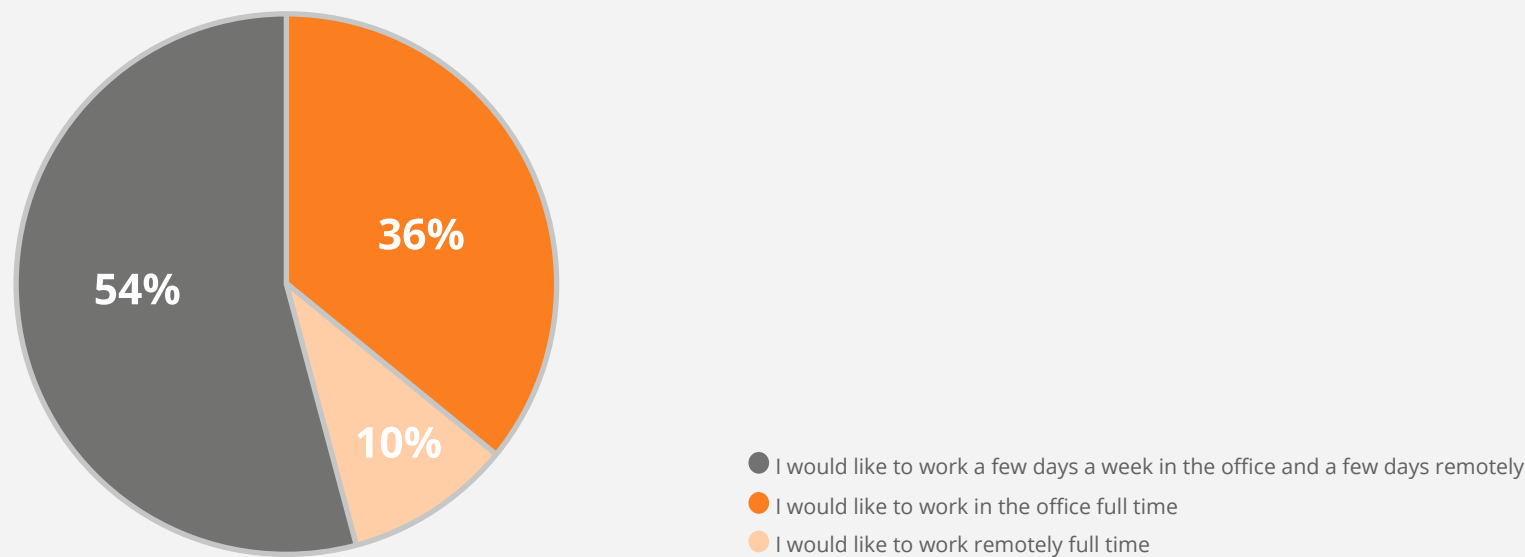
The employees of ŽALVARIS earn the highest average salary in the Lithuanian waste sector. We also introduced the internal **employee health care incentives programme** several years ago. Under this programme, production-lines employees of hazardous waste management facilities undergo preventive health checks twice a year; they get the impact of lead monitored; and the cost of necessary food supplements is reimbursed for them.

As part of its commitment to employee health and performance, the company organises an annual **voluntary seasonal flu vaccination**. On average, 16% of the company's employees take advantage of this opportunity. In 2021, with the global coronavirus pandemic still active, the company's employees were also encouraged to get vaccinated against COVID-19, as soon as the vaccines became available in Lithuania. In 2021, 83 employees took advantage of this incentive.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

To care for the health of our employees and reduce the spread of dangerous diseases in communities, in 2021, based on the results of a survey conducted among administrative employees of ŽALVARIS, we introduced a **hybrid working** model for administrative employees.

The employee survey showed that 54% of administrative employees wanted to work in the office a few days per week and from home for the rest of the week; while 10% of the employees expressed a wish to work remotely full time.



Since 2019, managers and selected specialists are covered by employer-provided **occupational health insurance** to ensure access to high-quality healthcare services.

In 2022, health insurance coverage is planned to be extended to provide the healthcare and well-being measures to a wider range of employees, so that everyone in the company can benefit from this incentive.



OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Protection of human rights ESG-S10

Protection of human rights is an international obligation by responsible businesses and a key indicator of social integrity and level of commitment. A consistent human rights policy is a fundament to a better business performance and attractiveness. It increases productivity by ensuring a respectful and dignified working environment, attracting and retaining more talents and long-term employees.

ŽALVARIS responsibility in this respect is underpinned by our business values relating to ethics, equality and diversity of employees, protection of human rights and freedoms.

By defending human rights, we focus on the following fundamental principle: the rights and freedoms of a certain person should not infringe the other person's rights and freedoms. This requires a very balanced activity by the top management on a case-by-case scenarios.

All ŽALVARIS employees may directly contact their line manager or the CEO, or use the whistleblowing platform available by email pasitikėjimolinija@zalvaris.lt, should they feel or believe that their rights are violated at the workplace, or suspect that the rights of other employee(s) may be violated.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

OUR INITIATIVES AND COMPETENCES

Professional Growth and Development of Employees

All ŽALVARIS employees are encouraged to learn, improve and develop, strengthen their knowledge, acquire new competences, both individually and as a part of the company's contribution. Continuous learning is encouraged at all levels of the management and other staff.

The company's employees and managers participate in annual business conferences and seminars based on their position and nature of work. Consistent with the demand and bottom-up initiative, managers are given the opportunity to expand their knowledge by studying at higher business educational institutions in Lithuania and participate in the activities of associations joining professionals in certain fields.

In 2021, the investment in employee training and competence development amounted to EUR 10.3 thous.

Employee Social and Environmental Initiatives at ŽALVARIS

The surrounding environment is important to us as humans and businesses. The company and its employees encourage and support environmental and social initiatives that reflect areas of impact that are directly linked to our priority sustainable development goals. By fostering long-term partnerships with social partners and charity organisations, we aim to create and grow the prosperity of our country and society.

In 2021, investments in social and environmental initiatives amounted to around EUR 105 thous.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

OUR INITIATIVES AND COMPETENCES

Employment of Convicts



We are convinced that equal opportunities and the inclusion of different social groups are crucial elements of the sustainable society. In 2020, ŽALVARIS launched and is developing a social initiative for the employment of convicts, which aims to integrate socially excluded people into the labour market. In total, we have employed over 40 people serving prison sentences, six of whom have been employed by the company since the start of the project. In 2021, 18 convicts were employed in the company.

Support for the Mothers' Union Foundation



Mothers' Union, a Lithuanian charity foundation, takes care of children with oncological diseases. ŽALVARIS and its employees have been supporting the Foundation's activities and their charitable initiatives since 2019. The company's financial support and employees' donations contributed to the implementation of the social initiative 'Family Home' in 2020, and the organisation of awareness camps for bereaved parents, as well as other activities of this Foundation in 2021.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

OUR INITIATIVES AND COMPETENCES

Environmental Project 'Holly Trash'



Contemporary artists Rolandas Žigonis and Algis Kriščiūnas have created four exclusive paintings of famous Lithuanian entertainers, decorated with waste found in nature. The idea of the paintings is to draw attention to pollution and climate change, make people think and encourage them to change their irresponsible consumer behaviour urgently. The art project 'Holly Trash' is part of the initiative by 'Trash Hero', an international organisation that organises plastic collection campaigns on the coasts of Asia. As a patron of the project, we are helping the paintings and their message to travel around Lithuania, exhibiting them in both traditional and startling spaces.

Partnership with Antanas Juknevičius



ŽALVARIS has a long-standing partnership with Antanas Juknevičius, a Dakar Rally legend. The Dakar Rally is one of the biggest motorsport events of the year, where automotive waste is an integral part of the sport. Mr. Juknevičius's team is the flagship environmentalists of the rally; As they share similar values and approach towards environmental protection, pollution and climate change, ŽALVARIS was able to establish and cherish a decade-long, sustainable partnership with the sports enthusiasts.



The Sustainability Report has not been audited.
The Sustainability Report is not printed. Available in an electronic version on the company's website www.zalvaris.lt, and the UN Global Compact website.
The Sustainability Report is available in Lithuanian and English.

ŽALVARIS, UAB
www.zalvaris.lt